WEEKLY ECONOMIC REVIEW

March 23, 2007

Inflation picked up in Canada in February, following upside surprises in the United Kingdom (2.8%) and China (2.7%) this week and in the United States (2.4%) last week. A combination of higher core inflation, food prices and energy prices are contribtuing to global inflationary pressures.

Canada's inflation increased by 0.7% in February from the previous month, the biggest jump since a Katrina-related spike in September 2005. Beween February 2006 and February 2007, inflation rose 2%, largely due to higher homeowners' replacement costs and gasoline prices.

Alberta all-items CPI increased by 0.4% from the previous month and by 4.9% from February 2006. Core inflation, exluding food and energy, edged up 5% in February from a year ago. Homeowners' replacement costs (up 35.3% in February from a year ago) remain the primary driver of inflation. Excluding shelter, Alberta infaltion rose 1.5% in February 2007 from February 2006.

Alberta retail sales posted an increase of 1.2% in January, as Canadain sales dipped 0.2%. Although year-to-date growth remains strong at 11.2%, it has moderated from the pace of over 16% recorded in 2006.

For the sixth time in a row, the U.S. Federal Reserve Board left the its key interest rate at 5.25%, but abandoned its bias towards tightening. The accompanying statement said "Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information." Although inflation currently remains a dominant concern, repcurssions from the rising delinquencies in mortgage markets will likely remain one of the key areas to watch.

Cdn Dollar (C¢/US$)

Mar	23, 2007	86.2¢
Mar	16, 2007	85.2¢
2006-07 YTD		87.9¢

WTI Oil SUS/bbl

Mar	22, 2007	$61.69
Mar	15, 2007	$57.55
2006-07 YTD		$65.09

Nymex Natural Gas CS/mcf *

April Contract

Mar	23, 2007	$8.43
Mar	16, 2007	$8.20

*Estimate based on Nymex Futures Market Price

The Canadian dollar rose by one full cent to 86.2 cents as reports of higher inflation raised expectations of interest rate increases. Rising commodity prices may have contributed to the increase as well.

Oil prices surged over US$4 to US$61.69 on concerns aboout fuel supplies a day after U.S. inventory data showed a drop in gasoline and distillate stocks. Oil prices climbed above $US62 a barrel on news of unrest in the Middle East and Nigeria.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index (1992=100)	**February**			
Alberta	142.9	0.4%	4.9%	4.4%
Canada	132.2	0.7%	2.0%	1.6%
Retail Sales ($ Millions)	**January**			
Alberta	4,920	1.2%	11.2%	11.2%
Canada	33,354	-0.2%	4.9%	4.9%
Housing Starts ($ Thousand)	**February**			
United States	1,525	9.0%	-28.5%	-32.4%

Source: Statistics Canada
1Year-to-date 2007 compared to the same period in 2006.